THE MUNICIPALITY OF

DIKGATLONG

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

DIKGATLONG MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

CONTENTS

		Page
1	GENERAL INFORMATION	1
2	MAYOR'S FOREWORD	2
3	MUNICIPAL MANAGERS OVERVIEW	3
4	CHIEF FINANCIAL OFFICER'S REPORT	4 - 7
5	ACCOUNTING POLICIES	8 - 10
6	BALANCE SHEET	11
7	INCOME STATEMENT	12
8	CASH FLOW STATEMENT	13
9	NOTES TO THE FINANCIAL STATEMENTS	14 - 20
10	APPENDICES	
	A STATUTORY FUNDS, TRUST FUNDS, RESERVES AND PROVISIONS	21
	B EXTERNAL LOANS AND INTERNAL ADVANCES	22
	C ANALYSIS OF FIXED ASSETS	23
	D ANALYSIS OF OPERATING INCOME AND EXPENDITURE	24
	E DETAILED INCOME STATEMENT	25
11	STATISTICAL INFORMATION	26 - 28

DIKGATLONG MUNICIPALITY
GENERAL INFORMATION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

MEMBERS OF THE COUNCIL:

Louw M.R.	*Female*	Mayor
Khoboko T.I.	*Male*	
Jammer P.N.	*Male*	
Swarts M.F.	*Male*	
Mweninjawa J.	*Male*	
Mathambo V.B.N.	*Female*	
Gopane D.R.	*Female*	
Bosman S.I.	*Female*	
Olifant V.	*Male*	
Matlhaba K.J.	*Male*	
Jacobs M.N	*Male*	
Madiata Uhumbua L.A.	*Female*	
Papers D.P.	*Female*	

ACCOUNTING OFFICER:
Eilerd J. *Male*

CHIEF FINANCIAL OFFICER:
Maree J.J. *Male*

GRADING OF LOCAL AUTHORITY:
Grade ***2*** Category ***B***

AUDITOR:
The Auditor-General: Northern Cape

BANKERS:
First National Bank Ltd - Barkly West Branch

REGISTERED OFFICE:

Dikgatlong Municipality
Campbell Street
Barkly West
8375

The annual financial statements set out on pages 9 to 27 were approved by the Municipal Manager on 25 August 2008.

MUNICIPAL MANAGER **Date**
Member of IMFO

CHIEF FINANCIAL OFFICER **Date**
Member of IMFO
Member of South African Institute of Professional Accountants

DIKGATLONG MUNICIPALITY
CHIEF FINANCIAL OFFICER'S REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. **OPERATING RESULTS**

Details of the operating result per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2008 are as follows:

	Actual 2008 R	Actual 2007 R	Variance %	Budget 2008 R	Variance Actual/ budget %
Income & Expenditure					
Acc. surplus/(deficit) beginning of year	(18 577 657)	(20 523 145)			
Operating income for the year	42 635 473	36 827 100	15.77%	38 752 173	10.02%
Operating Expenditure	(50 895 911)	(34 834 055)	46.11%	38 752 173	-231.34%
Appropriations	-	(47 557)			
Acc. surplus/(deficit) end of year	(26 838 095)	(18 577 657)			

1.1 Rate and General Services

	Actual 2008 R	Actual 2007 R	Variance %	Budget 2008 R	Variance Actual/ budget %
Income	29 118 440	25 647 157	13.53%	21 966 173	32.56%
Expenditure	33 682 247	20 662 053	-63.02%	20 237 785	-66.43%
Surplus/(deficit)	(4 563 808)	4 985 104		1 728 388	
Surplus/(deficit) as % of income	-15.67%	19.44%		7.87%	

1.2 Subsidized Services - Library

	Actual 2008 R	Actual 2007 R	Variance %	Budget 2008 R	Variance Actual/ budget %
Income	12 168	98 564	-87.65%	12 000	1.40%
Expenditure	561 755	653 385	14.02%	619 554	9.33%
Surplus/(deficit)	(549 587)	(554 821)		(607 554)	
Surplus/(deficit) as % of income	-4516.62%	-562.90%		-5062.95%	

DIKGATLONG MUNICIPALITY
CHIEF FINANCIAL OFFICER'S REPORT (Continue)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1.3 Economic Services - Sanitation & Refuse Removal

	Actual 2008	Actual 2007 R	Variance %	Budget 2008 R	Variance Actual/ budget %
Income	4 702 050	3 681 990	27.70%	4 250 000	10.64%
Expenditure	3 969 866	4 224 892	6.04%	4 074 502	2.57%
Surplus/(deficit)	732 184	(542 902)		175 498	
Surplus/(deficit) as % of income	15.57%	-14.74%		4.13%	

1.4 Housing Services

	Actual 2008	Actual 2007 R	Variance %	Budget 2008 R	Variance Actual/ budget %
Income	216 650	79 532	172.41%	190 000	14.03%
Expenditure	281 570	264 844	-6.32%	287 675	2.12%
Surplus/(deficit)	(64 920)	(185 312)		(97 675)	
Surplus/(deficit) as % of income	-29.97%	-233.00%		-51.41%	

1.5 Trading Services

The following is a summary of the operating results of the Municipality's Trading Services.

Electricity Services

	Actual 2008 R	Actual 2007 R	Variance %	Budget 2008 R	Variance Actual/ budget %
Income	7 210 939	6 002 703	20.13%	6 776 000	6.42%
Expenditure	6 918 256	7 300 975	-5.24%	7 308 230	5.34%
Surplus/(deficit)	292 682	(1 298 272)		(532 230)	
Surplus/(deficit) as % of income	4.06%	-21.63%		-7.85%	

Water Services

	Actual 2008 R	Actual 2007 R	Variance %	Budget 2008 R	Variance Actual/ budget %
Income	6 089 445	5 097 708	19.45%	5 558 000	9.56%
Expenditure	10 013 837	6 606 184	-51.58%	6 224 427	60.88%
Surplus/(deficit)	(3 924 393)	(1 508 475)		(666 427)	488.87%
Surplus/(deficit) as % of income	-64.45%	-29.59%		-11.99%	

DIKGATLONG MUNICIPALITY
CHIEF FINANCIAL OFFICER'S REPORT (Continue)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure consists of the following:

	2007/08 ACTUAL	2007/08 BUDGET	2006/07 ACTUAL
	R	R	R
Administration & IT	200 459	329 000	320 116
Furniture & Equipment	1 789	15 000	-
Machinery & Equipment	64 275	-	-
Council General expenses	-	-	245 593
Community Facilities	57 614	-	-
Vehicles	1 537 746	-	-
Buildings	496 388	-	-
Streets & Storm water	4 533 816	-	1 579 725
Cemetery	84 987	-	331 356
Sanitation and Sewerage	8 123 999	5 410 000	5 148 042
Electricity	4 796 296	6 288 095	5 534 760
Water	384 404	-	2 543 945
	20 281 775	12 042 095	15 703 537

3. Resources used to finance the fixed assets were as follows:

	2007/08 ACTUAL	2007/08 BUDGET	2006/07 ACTUAL
	R	R	R
Contribution from operating income	-	-	107 874
Loans Redeemed	-	-	800 220
Grants and subsidies	16 831 945	-	13 312 802
	16 831 945	-	14 220 896

4. EXTERNAL LOANS, INVESTMENT AND CASH

Investments and cash on 30 June 2008 amounted to: 2 808 040
(Previous year R 1,987,016)

More information regarding investments are disclosed in note 7 to the financial statements.

DIKGATLONG MUNICIPALITY
CHIEF FINANCIAL OFFICER'S REPORT (Continue)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

5. FUNDS, RESERVES AND PROVISIONS

The movement regarding statutory funds, reserves and trust funds are given in a
No contributions was made to any fund, reserve or provision during this financial

During the year under review reserves not cash funded and other unknown and
reconcilable amounts were written-off and disclosed as appropriations for the y
income statement.

Provision for bad debt was made as follows:

Old capitalized debt written of:	
Municipal Debt	100%
Debtors accounts 120 days and older in excess of R 30,000.	60%
Current	0%
30 days	5%
60 Days	10%
90 days	25%
120 days and longer	60%

The basis of provision for bad debt was approved on the 24th August 2007 (Res 2007/08/2S).

4. APPRECIATION

I would like to thank the Mayor, Councillors, the Municipal Manager and Departm
Heads for the support they have given me and my personnel during the year.

A special word of thanks to the personnel of the Finance Department for their support in preparing the financial accounts of our municipality.

J.J. MAREE **DATE**
CHIEF FINANCIAL OFFICER
(B Compt Hons)
(Member of IMFO)
(Member of South African Institute of Professional Accountants)

appendix A.
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1 662 393
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296 075
19 662 029
22 750 589

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DIKGATLONG MUNICIPALITY
ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. Basis of presentation

1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition 1996, as amended).

1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets are more fully detailed in Accounting Policy, note 3.

1.3 The financial statements are prepared on the accrual basis:
- Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as traffic fines and certain licenses.
- Expenditure is accrued in the year it is incurred.

2. Consolidation

The balance sheet includes Rate and General Services, Housing Service, Trading Services and the different funds, reserves and provisions. All inter-departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, electricity and water, which are treated as income and expenditure in the respective departments.

3. Fixed assets

3.1 Fixed assets are stated:
- at historical cost; or
- at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life.

3.2 Depreciation:
No provision is made for deprecation.
- Appropriations from operating income, where the full cost of the assets forms an immediate and direct charge against operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation

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3.3 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances.

4. Leases

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged the operating account in a systematic related to the use of the assets concerned.

DIKGATLONG MUNICIPALITY
ACCOUNTING POLICIES - (Continue)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

4. Inventory

Inventory (stores and materials) is valued at the lower of cost, determined on the weighted average basis, and net realisable value. However stock is only kept in exceptional instances.

5. Funds and reserves

5.1 *Revolving Fund*

No provision is made for interest.

6. Retirement benefits

The Municipality and its employees contribute to various funds, which provide retirement benefits to such employees, a choice can be made to contribute towards a provident fund or a Pension Fund.

7. Surpluses and deficits

Any surplus or deficits arising from the electricity and water services are utilized to subsidised Rate and General Services to alleviate the tax burden of rate payers.

8. Investments

Investments are shown at original value and are invested per approved list of financial institutions issued by the Provincial Administration, Community Development Branch.

Investments were made according to the stipulations of the Second Amendment on the Local Government Transition Act, Act 97 of 1996.

9. Income recognition

9.1 *Electricity and water billings*

All meters are read and billed monthly. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read.

9.2 *Assessment rates*

The Municipality applies a differential rating system. In terms of this system assessment rates are levied on land and building value of property. Certain rebates are granted according to the use to which a particular property is put.

9.3 *Traffic Fines and Licenses*

Income is accrued as and when received.

DIKGATLONG MUNICIPALITY
ACCOUNTING POLICIES - (Continue)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

10. Provision for Bad Debts

10.1 It is the policy of this Council that as long as a debtor had not absconded, the debt is assumed to be recoverable. The mere fact that a debtor does not pay for municipal services , for what ever reason, does not mean a bad debt exist and all debts are assumed to be recoverable.

10.2 The Chief Financial Officer has formally laid down procedures that are followed in an attempt to recover debts and it is only when a debt is proven to be unrecoverable that it is written off and consequently forms a charge against the operating account.

10.3 The provision of bad debt is made on the following basis:

a) All outstanding Municipal accounts must written-off

b) Debtors accounts 120 days and older in excess of R 30,000. 60%

c) The following percentages:

Current	0
30 days	5%
60 Days	10%
90 days	25%
120 days and longer	60%

DIKGATLONG MUNICIPALITY

BALANCE SHEET AT 30 JUNE 2008

	Notes	2008 R	2007 R
CAPITAL EMPLOYED			
		7 632 986	7 632 986
Statutory funds	1	7 632 986	7 632 986
Reserves	2	-	-
RETAINED SURPLUS/			
(ACCUMULATED DEFICIT)	16	(26 838 095)	(18 577 658)
		(19 205 109)	(10 944 672)
TRUST FUNDS AND PROVISIONS	3	1 429 438	80 954
LONG-TERM LIABILITIES	4	3 380 533	1 286 376
CONSUMER DEPOSITS: SERVICES	5	242 527	231 529
		(14 152 611)	(9 345 813)
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	5 466 609	2 041 858
INVESTMENTS	7	652 158	102 930
		6 118 767	2 144 788
NET CURRENT ASSETS / LIABILITIES		(20 271 378)	(11 490 601)
CURRENT ASSETS		20 772 912	18 159 122
Stock (Inventory)	8	-	-
Debtors	9	18 617 030	16 275 035
Cash in bank and on hand		-	-
Short term investment	7	2 155 882	1 884 087
Short-term portion of long-term debtors		-	-
CURRENT LIABILITIES		(41 044 290)	(29 649 723)
Bank overdraft		2 613 636	2 108 094
Provisions	10	558 067	543 465
Creditors	11	37 872 587	26 998 164
Loans: short-term portion of long-term liabilities			
		(14 152 611)	(9 345 813)

DIKGATLONG MUNICIPALITY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2006/07 Actual Income R	2006/07 Actual Expenditure R	2006/07 Surplus/ (deficit) R		2007/08 Actual Income	2007/08 Actual Expenditure	2007/08 Surplus/ (deficit)	2007/08 Budget Surplus (deficit)
25 647 157	20 662 053	4 985 104	**RATE AND GENERAL SERVICES**	29 118 440	33 682 247	(4 563 808)	(5 860 140)
21 866 603	15 783 776	6 082 827	Community services	24 404 222	29 150 627	(4 746 405)	(6 474 793)
98 564	653 385	(554 821)	Subsidised services	12 168	561 755	(549 587)	57 967
3 681 990	4 224 892	(542 902)	Economic services	4 702 050	3 969 866	732 184	556 686
79 532	264 844	(185 312)	**HOUSING SERVICES**	216 650	281 570	(64 920)	32 755
11 100 412	13 907 159	(2 806 747)	**TRADING SERVICES**	13 300 383	16 932 093	(3 631 710)	(2 433 053)
36 827 101	34 834 056	1 993 045	**TOTAL**	42 635 473	50 895 911	(8 260 438)	(8 260 438)
		(47 557)	Appropriations for the year (Refer to note 16)			0	
		1 945 488	**Net surplus / (deficit) for the year**			**(8 260 438)**	
		(20 523 144)	Accumulated surplus / (Accumulated deficit) beginning of the year			(18 577 657)	
		(18 577 656)	**ACCUMULATED SURPLUS (ACCUMULATED DEFICIT) AT END OF THE YEAR**			(26 838 095)	

(Refer to appendix D and E for more detail)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 R	2007 R
CASH RETAINED FROM OPERATING ACTIVITIES		17 103 935	12 504 448
Cash generated by operations	18	7 193 314	15 382 513
Investment income	15	1 855 851	1 070 007
(Increase) / decrease in working capital	19	8 532 428	(3 769 810)
		17 581 592	12 682 710
Less: External interest paid	15	(477 657)	(178 262)
Cash available from operations		17 103 935	12 504 448
Cash contributions from the public and State		-	-
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed Assets		(20 281 775)	(15 703 537)
Increase / (decrease) in Consumer deposits		10 998	14 021
(Increase) / decrease in LT Debtors		-	-
NET CASH FLOW		(3 166 843)	(3 185 068)
CASH EFFECTS OF FINANCIAL ACTIVITIES			
Increase / (decrease) in long-term loans	20	2 094 157	1 246 078
(Increase) / decrease in cash investments	21	(821 024)	1 785 936
Other			
(Increase)/decrease in Cash	22	505 542	182 280
NET CASH (GENERATED) / UTILISED		(315 482)	1 968 216

DIKGATLONG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

		2008 R	2007 R
1	**STATUTORY FUNDS**		
	Revolving Fund	7 632 986	7 632 986
		7 632 986	7 632 986
	(Refer to appendix A for more detail)		
	No provsion is made for Interest as this fund is not cash funded		
2	**RESERVES**		
	None	-	-
		-	-
	(Refer to appendix A for more detail)		
3	**TRUST FUNDS**		
	Rooikoppie Community Hall	542 386	-
	EPWP	492 906	-
	MSIG	-	-
	MIG	208 184	-
	FBDM Allocations	-	-
	FMG	-	-
	Upgrade of Elect Network	6 426	-
	DBSA Grant - Vehicle Maint. Plan	-	-
	Water & Sanitation	-	-
	Library	179 537	80 954
		1 429 438	80 954
4.	**Long Term Loan**		
	DBSA	4 253 476	1 799 664
	Short-term Portion of Long-term Liabilities	(872 943)	(513 288)
		3 380 533	**1 286 376**
	See Appendix B for terms of the agreements.		
5.	**CONSUMERS DEPOSITS - SERVICES**	143 414	142 056
	Electricity	-	-
	Community Halls	99 113	89 473
	Water	**242 527**	**231 529**

DIKGATLONG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 - Continued

	2008 R	2007 R
6. FIXED ASSETS		
Fixed assets at the beginning of the year	119 964 044	104 260 507
Capital expenditure during the year	20 281 775	15 703 537
Account adjustments due to computer error	-	-
Less: Assets written off, transferred or disposed during the year	(25 080)	-
	-	-
Total fixed assets	140 220 739	119 964 044
Less: Loans redeemed and other capital receipts	(134 754 130)	(117 922 186)
Net fixed assets	**5 466 609**	**2 041 858**

(Refer to appendix C and section 2 of the Treasurer's report for more detail on the fixed assets)

7. INVESTMENTS

Shares	2 158	2 158
Long Term deposits	650 000	100 772
Long Term Investments	652 158	102 930
Short term deposits	2 155 882	1 884 086
	2 808 040	**1 987 016**

Management's valuation of unlisted investment

Circular no. 26 of 1991 issued by the Provincial Legislature requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against investment at a plenary rate to meet commitments.

No investments have been written off during the year

The Long Term investment is a guaranteed endowment policy, with Momentum Life, with the intention of establishing a sinking fund.

An amount, included under Short Term Deposit's, deem as security for the bank Overdraft to the amount of R 1,436,481.

Bank/Institution	Account Number	Account Type	Balance 30/06/2008	Balance 01/07/07
First National - Barkly West	62005171533	Money Market	6 243.86	738.23
First National - Barkly West	62020793891	Current Account (Acc Closed)	0.00	(35.72)
First National - Barkly West	62028861319	Current Account	(4.17)	12 220.83
First National - Barkly West	62032053390	Current Account	66 296.67	66 656.67
First National - Barkly West	62045158433	Current Account	179 536.89	80 953.56
First National - Barkly West	74029331259	32 day Notice	5 553.91	5 157.56
First National - Barkly West	74044313240	Fixed Deposit	740 558.94	673 969.27
First National - Barkly West	74087371453	32 day Notice	1 138 161.48	1 044 425.68
First National - Barkly West	71045321107	Fixed Deposit	2 428.18	2 279.60
Standard Bank - Barkly west	146018273	Savings Account	17 106.34	0.00
Suid Wes Koop	-	Unlisted Shares	2 157.87	2 157.87
Momentum	01001710622	Guaranteed Fund	650 000.00	98 492.46
			R 2 808 039.97	R 1 987 016.01

DIKGATLONG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 - Continued

		2008 R	2007 R
8	**INVENTORY**		
	No stock is kept as items are purchased ***as and when needed***.		
9	**DEBTORS**		
	Current debtors (consumers & others)	40 540 405	28 179 786
	Other Debtors (VAT)	157 844	874 406
	Less: Debtors with credit balances	626 619	1 233 550
	Sundry Debtors	42 752	1 341 752
		41 367 619	31 629 495
	Less: Provision for bad debts	22 750 589	15 354 460
		18 617 030	**16 275 035**
10	**PROVISIONS**		
	Leave Provision	558 067	543 465
		558 067	**543 465**
11	**CREDITORS**		
	Trade Creditors	3 676 047	4 000 893
	DWAF/Sedibeng	24 396 446	16 620 066
	Eskom	720 772	663 115
	Debtors with credit balances	626 619	1 233 550
	Unknown Deposits	918 041	750 089
	VAT on Debtors	6 016 343	0
	Short-term Portion of Long-term Liabilities	872 943	513 288
	Grants Carried Over	0	1 743 560
	Other	645 377	1 473 603
		37 872 587	**26 998 164**
12	**ASSESSMENT RATES**		
	Valuations: Land	14 436 000	14 436 000
	Valuations: Improvements	127 194 155	127 194 155
	Total valuations	**141 630 155**	**141 630 155**
	Tariffs: Land		
	Tariffs: Improvements	3 661 713	3 197 078
	Total income	**3 661 713**	**3 197 078**
	Less: Discount on state properties	0	0
	Value: Land	0	0
	Value: Improvement	0	0
	Net Income	**3 661 713**	**3 197 078**
13	**COUNCILLORS REMUNERATION**		
	Mayor	335 506	251 018
	Councillors	1 229 854	903 663
	Travelling Allowances	482 955	442 628
	Contributions (Pension & Medical)	200 255	173 202
		2 248 570	**1 770 511**
	(NB: Councillors Remuneration form part of Personnel Expenses)		
	SECTION 57 MANAGERS REMUNERATION		
	Municipal Manager	648 809	616 153
	Technical Manager	584 072	554 675
	Chief Financial Officer	584 072	554 675

Remuneration is "cost to employer" and is based on SALGA guidelines published in 2002/03 (adapted as per Bargaining Council/CPIX fluctuations)

ARREARS COUNCILLORS - CONSUMER ACCOUNTS	
Papers CA	1 083
Madiata Uhumbua LA	50 128
Matlhaba KJ	1 143
Mweninjawa J	5 762

DIKGATLONG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 - Continued

		2008 R	2007 R
14.	**AUDITORS REMUNERATION**		
	Yearly Audit	809 650	512 516
		809 650	**512 516**
15.	**FINANCIAL TRANSACTIONS**		
	Total external interest earned or paid		
	Interest earned	1 855 851	1 070 007
	Interest paid	(477 657)	(178 262)
		1 378 194	**891 745**
	Capital charges debited to operating account		
	Interest Paid :External	178 262	178 262
	:Internal	0	0
	Redemption :External	0	0
	:Internal	0	0
	Deferred cost written off	0	0
		178 262	**178 262**
16.	**APPROPRIATIONS**		
	Appropriation account		
	Accumulated surplus / deficit at the beginning of the year	(18 577 657)	(20 523 145)
	Balance Adjustment	0	0
		(18 577 657)	(20 523 145)
	Accumulated surplus / (deficit) for the year	(8 260 438)	1 993 045
	Appropriations for the year	0	(47 557)
	Prior year adjustments	0	(47 557)
	Accumulated surplus / (deficit) at the end of the year	(26 838 095)	(18 577 657)

17. Bank Accounts

a) Bank Overdraft

The approved bank overdraft is R 1,920,000.

The following security is held:

17.1 Sessions on Investment accounts to the amount of R 1,436,481.

17.2 Bond for the amount of R 1,000,000 over sections erven 5 & erven 187 of the Farm Delportshoop (Title deed T3/1949).

b) Bank Balance

Bank/Institution	Account Number	Account Type	Balance 30/06/2008	Balance 30/06/2007
First National - Barkly West - Primary Account	62022642468	Current Account	(2 613 636)	(2 108 094)
Actual Bank Balance			(2 189 033)	(1 743 702)

c) Bank Guarantees

Bank Guarantees issued to Eskom amount to R 108,840.

DIKGATLONG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 - Continued

		2008 R
18.	**CASH GENERATED BY OPERATIONS**	
	Surplus / (deficit) for the year	(8 260 438)
	Adjustments in respect of the previous year's operating transactions	
	Adjustments made to fixed assets (see annex C)	0
	Prior year adjustments	0
	(See note 15 for more detail)	
	Appropriations debited to income	0
	-Contribution to funds	0
	-Contribution to Fixed Assets	0
	Capital charges	477 657
	Interest paid :	
	- to internal funds	0
	- to external loans	477 657
	Redemption :	
	- From internal funds	0
	- From external loans	0
	Fixed assets written off	0
	Grants and subsidies received from State	16 831 945
	Non-operating income	0
	Non-operating expenditure	0
	Investment income	(1 855 851)
	Charged against provisions and reserve	0
	Other non operating income	0
		7 193 314
19.	**(INCREASE) / DECREASE IN WORKING CAPITAL**	
	(Increase) / decrease in stock	0
	(Increase) / decrease in debtors	(2 341 995)
	Increase / (decrease) in creditors	10 874 423
		8 532 428
20.	**INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)**	
	Loans raised	2 094 157
	Arrear interest capitalised & other debits & credits	0
	Loans repaid	0
		2 094 157

	2007 R
	2 901 139
	0
	(47 557)
	107 874
	0
	107 874
	0
	178 262
	0
	178 262
	0
	0
	0
	13 312 802
	0
	0
	(1 070 007)
	0
	0
	15 382 513
	0
	(7 071 179)
	3 301 369
	(3 769 810)
	1 522 871
	0
	0
	1 522 871

DIKGATLONG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 - Continued

		2008 R	2007 R
21.	**(INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENT**		
	Investments realised		
	Investments made	(821 024)	1 785 936
		(821 024)	1 785 936
22.	**(INCREASE) / DECREASE IN CASH**		
	Cash balance at the beginning of the year	(2 108 094)	(1 925 814)
	Cash balance at the end of the year	(2 613 636)	(2 108 094)
		505 542	**182 280**

23. Purchases without following the Competitive Bidding Process

1. Due to emergency breakdowns and after hour needs, limited suppliers in the Dikgatlong Area the competitive bids and the necessary 2 quotations could not always be obtained.

2. Reoccurring cost like Stationary, Photocopy Paper, Letterheads, Order books, Tones, etc are also limited the municipality to one supplier

24. Commitment and Capital Projects

Capital Projects	Tender Amount	Certified Amount: 30 June 2008	Commitments
Electrical Upgrading Phase 2: 11kv Supply to New Hospital *(K0379/12)* *Finance by Department of Health*	3 070 951.82	2 729 882.36	341 069.46
Barkly West: Wastewater Treatment Works *(214810YN0)* *Finance by MIG*	9 641 909.19	8 146 427.70	1 495 481.49
Barkly West: Electrical/Mechanical Works Wastewater Treatment Works *(229200YN0)* *Finance by MIG*	3 926 118.31	1 704 393.44	2 221 724.87
Sub Total	16 638 979.32	12 580 703.50	4 058 275.82

Commitments regarding Capital Projects are limited to the allocations as Published in the Division of Revenue Act (DoRA), Frances Baard District Municipality Allocations and other Governmental Grants. No capital projects are funded out off own Municipal Resources.

Other

Lease Commitments - Nashua & Panasonic		165 489.00

Projects: MIG Business Plans Approved but not Committed

Barkly West: Bulk Water Supply(258)	W/NC/0538/06/08	10 250 000
Delportshoop: Proteahof Roads Stormwater Drainage(134)	R/NC/0878/05/06	4 499 226
Barkly West/Holpan: Access road(261)	R/NC/0887/07/09	3 584 000
Barkly West Cemetery	CS/NC/1040/06/06	425 000
Barkly West- Mataleng: The Upgrading of Sport Facility (393)	CS/NC/1992/07/08	3 531 637
Barkly West ,De Beershoogte high mast lights for 600 stands (801)	L/NC/2040/05/08	1 360 470
Barkly West, Longlands, Electrical Reticulation & high mast lights (802)	L/NC/2043/05/08	733 505
Barkly West/De Beershoogte Sewage Works & network for 552 erven(260)Amended	S/NC/3655/05/08	17 135 456
		41 519 293

DIKGATLONG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 - Continued

25. Unauthorised Expenditure

The following "Unauthorised Expenditure" was identified and was approved by Council after finalizing of the Annual Financial Statements:

Administration Council (171%) – ***Reason:*** Provision of BAD Debt to ensure a more realistic debtors amount in Balance sheet. This Provision was approved by Council. (Resolution 2008/10/21).

Water Services (61%) – ***Reason:*** Outstanding DWAF % Sedibeng accounts were underestimate when the Adjustment Budget was prepared.

Municipal Buildings (1.1% or R 853) – Not a material amount.

26. Going Concern

The municipality has a cash flow problem and will always have it in the years to come. The payments for services is low and is now even becoming worse with effect of the higher interest rates kicking in. The community is threatened of repossessing, by the business sector, and the community is now desperately paying businesses to keep their belongings. At the end there is no money to pay for the municipal account.

The Equitable share allocation to the municipality is calculated on incorrect population figures. The wrong calculation of the equitable share is the most important factor that the finance and the municipality are in such a bad state. The Equitable Share is calculated on 2001 Census Figures of a population of 35765. This however understated the population by 27493 or 76.87%. A population census done by Urban Dynamics, for 2001, indicates a population of 63258 for the Dikgatlong Municipal Area. National Treasury and Stats SA were contacted but to no avail, they say they can do nothing about it. In the meantime the municipality cannot provide proper services to the community because of lack of funding, which means the community is suffering because of something out of the hands of the municipality.

DIKGATLONG MUNICIPALITY
APPENDIX A

ACCUMULATED FUNDS, TRUST FUNDS, RESERVES AND PROVISIONS

FOR THE YEAR ENDED 30 JUNE 2008

	Balance at 2007/07/01 R	Contributions during the year R	Interest on Investments R	Other income R	Write-off/Expenditure during the year R	Balance at 2008/06/30 R
ACCUMULATED FUNDS						
Revolving Fund	7 632 986	-				7 632 986
	7 632 986	-	-	-	-	7 632 986
RESERVES						-
None	-				-	-
	-	-	-	-	-	-
TRUST FUNDS						
Rooikoppie Community Hall	-			600 000	(57 614)	542 386
EPWP	-	-		4 383 786	(3 890 880)	492 906
MSIG	-			734 000	(734 000)	-
MIG	-			5 410 000	(5 201 816)	208 184
FBDM Allocations	-			1 249 634	(1 249 634)	-
FMG	-			500 000	(500 000)	-
Upgrade of Elect Network	-			1 698 303	(1 691 877)	6 426
DBSA Grant - Vehicle Maint. Plan	-			50 000	(50 000)	-
Water & Sanitation	-	-			-	-
Library	80 954	-	-	384 250	(285 667)	179 537
	80 954	-	-	15 009 972	(13 661 487)	1 429 438

DIKGATLONG MUNICIPALITY
APPENDIX B
EXTERNAL LOANS AND INTERNAL ADVANCES
FOR THE YEAR ENDED 30 JUNE 2008

EXTERNAL LOANS

Loan no.	Detail	Approved	Redeemable	Balance at 01/07/07 R	Received during the year R	Redeemed or written off during the year R	Interest charged during the year R	Balance at 30/06/08 R
1	Upgrading of Electricity Network No 1	YES	5 YEARS	891 335	0	(361 373)	33 197	563 159
2	Upgrading of Electricity Network No 2	YES	20 YEARS	0	1 526 441	(47 224)	47 217	1 526 433
3	Upgrading of Vehicles (Fleet)	YES	5 YEARS	908 329	1 753 031	(611 493)	114 016	2 163 884
				1 799 664	3 279 471	(1 020 090)	194 430	4 253 476

Short Term portion of loan - Payable within 12 months - (term as per contractual agreements) **872 943**

Long term Portion of loan **3 380 533**

Terms of Agreements

1	Upgrading of Electricity Network No 1	*NC 101563.1.2*	- Loan amount is R 1,032,377 and payable in six-monthly instalments - Debtors to the value R600 000 is ceded to the DBSA
2	Upgrading of Electricity Network No 2	*NC 102336.2*	- Loan amount is R 2,100.000 and payable in monthly instalments
3	Upgrading of Vehicles (Fleet)	*NC 102336.1*	- Loan amount is R 2,665,000 and payable in monthly instalments
4	Interest Rate on Loans		- Capital shall bear interest on the outstanding amount at a nominal fixed rate of 5% per annum.

INTERNAL ADVANCES
TO BORROWING SERVICE

	Balance at 01/07/07 R	Received during the year R	Redeemed or Written of during the year R	Interest charged during the year	Balance at 30/06/08 R
Internal Advances	559 219		0		559 219
	559 219	0	0	0	559 219

DIKGATLONG MUNICIPALITY
APPENDIX C
ANALYSIS OF FIXED ASSETS
FOR THE YEAR ENDED 30 JUNE 2008

Expenditure 2007 R		Budget 2008 R	Balance at 01/07/07 R	Expenditure during year R	Account Adjustments R	Written off transferred Redeemed or disposed of during the year R	Balance at 30/06/08 R
7 624 832	**RATES AND GENERAL SERVICE**	**5 754 000**	**77 333 522**	**15 101 075**	**-**	**25 080**	**92 409 517**
2 145 434	**Community service**	**344 000**	**50 083 201**	**6 892 088**	**-**	**25 080**	**56 950 209**
-	Abattoir		-	-		-	-
-	Land		11 315 769	-			11 315 769
320 116	Administration & IT	329 000	1 491 905	200 459		25 080	1 667 284
-	Furniture & Equipment	15 000	393 292	1 789			395 082
-	Machinery & Equipment		184 752	64 275			249 027
-	Community Facilities		4 380 201	57 614	-		4 437 815
245 593	Council General expenses		4 356 392	-			4 356 392
-	Vehicles		2 206 926	1 537 746			3 744 672
-	Buildings		12 913 295	496 388	-		13 409 683
1 579 725	Streets & Storm water	-	12 840 669	4 533 816	-		17 374 485
-	Sport & Recreation		-	-	-	-	-
331 356	**Subsidised service**	**-**	**2 678 536**	**84 987**	**-**	**-**	**2 763 523**
-	Parks & Recreation		2 114 980	-			2 114 980
331 356	Cemetery		563 556	84 987			648 543
-	Library		-	-			-
-	Municipal Buildings		-	-			-
-	Other		-	-			-
-	Health		-	-			-
5 148 042	**Economic service**	**5 410 000**	**24 571 785**	**8 123 999**	**-**	**-**	**32 695 785**
5 148 042	Sanitation and Sewerage	5 410 000	24 571 785	8 123 999		-	32 695 785
-	Refuse		-	-		-	-
-	**HOUSING SERVICE**	**-**	**-**	**-**	**-**	**-**	**-**
-	Welfare		-	-	-	-	-
-	Individual Housing		-	-			-
8 078 705	**TRADING SERVICE**	**6 288 095**	**42 630 522**	**5 180 700**	**-**	**-**	**47 811 222**
5 534 760	Electricity	6 288 095	15 371 176	4 796 296			20 167 472
2 543 945	Water		25 366 791	384 404	-	-	25 751 195
	Holiday Resort		1 892 555	-			1 892 555
15 703 537	**TOTAL FIXED ASSETS**	**12 042 095**	**119 964 044**	**20 281 775**	**-**	**25 080**	**140 220 739**
14 220 896	**LESS : CAPITAL REDEEMED AND OTHER CAPITAL RECEIPTS**	**-**	**117 922 185**	**16 831 945**	**-**	**-**	**134 754 130**
107 874	Loans redeemed and advances repaid	-	4 052 622	-			4 052 622
800 220	Contributions from operating income	-	10 937 871	-			10 937 871
13 312 802	Grants and subsidies	-	101 286 884	16 831 945			118 118 829
-	Other	-	1 644 808	-			1 644 808
1 482 641	**NET FIXED ASSETS**	**12 042 095**	**2 041 859**	**3 449 830**	**-**	**25 080**	**5 466 609**

DIKGATLONG MUNICIPALITY
APPENDIX D
ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2008

Actual 2007 R		Actual 2008 R	Budget 2008 R
	INCOME		
16 512 912	GRANTS AND SUBSIDIES	**16 791 771**	**16 792 000**
15 577 946	- Central Government	16 791 771	16 792 000
77 000	- Provincial	-	-
857 966	- Other grants	-	-
20 314 188	OPERATING INCOME	**25 843 702**	**21 960 173**
5 097 708	- Sale of water	6 089 445	5 558 000
6 002 703	- Sale of electricity	7 210 939	6 776 000
2 665 922	- Refuse removal	3 092 048	2 850 000
1 016 068	- Sanitation & Sewerage removal	1 610 001	1 400 000
235 797	- Licenses & Traffic	183 368	183 000
3 197 078	- Property Rates	3 661 713	3 348 173
176 010	- Housing income	216 650	190 000
1 070 007	- Interest earned	1 855 851	1 200 000
852 896	- Other income	1 923 688	455 000
36 827 100		42 635 473	38 752 173
	EXPENDITURE		
14 045 864	Salaries, wages and allowances	16 184 208	16 465 798
17 009 690	General expense	32 908 855	19 479 269
4 720 937	- Purchase of electricity	5 711 015	6 000 000
4 300 322	- Purchase of water	7 776 380	3 900 000
7 988 431	- Other general expenses	19 185 566	9 579 269
2 870 407	Repairs and maintenance	1 802 849	2 255 106
107 874	Capital charges	-	552 000
800 220	Contributions to fixed assets	-	-
-	Contributions to funds	-	-
34 834 055	**Gross expenditure**	50 895 911	38 752 173
-	Less : Amounts charge out	-	-
34 834 055	**Net expenditure**	50 895 911	38 752 173

DIKGATLONG MUNICIPALITY
APPENDIX E
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual income R	2007 Actual expenditure R	2007 Surplus (deficit) R		2008 Actual income R	2008 Actual expenditure R	2008 Surplus (Deficit) R	2008 Budget Surplus / (Deficit) R
			RATE AND GENERAL				
25 647 156	**20 662 053**	**4 985 104**	**SERVICES**	**29 118 440**	**33 682 247**	**(4 563 808)**	**(5 860 140)**
21 866 603	**15 783 776**	**6 082 826**	**Community services**	**24 404 222**	**29 150 627**	**(4 746 405)**	**(6 474 793)**
18 827 150	5 440 546	13 386 604	Administration - Council	20 456 509	15 298 296	5 158 213	(9 345 140)
2 551 863	7 569 351	(5 017 488)	Administration - COE	3 607 793	11 295 519	(7 687 726)	2 528 854
21 690	0	21 690	Cemetery	26 207	1 032	25 176	1 376
0	238 712	(238 712)	IDP	0	193 428	(193 428)	2 972
235 797	101 607	134 190	Licences/Traffic	183 368	90 328	93 039	2 985
12 069	99 270	(87 200)	Municipal Building	13 868	78 653	(64 785)	1 015
213 865	691 585	(477 720)	Parks & Resorts	108 428	937 245	(828 817)	27 742
4 168	952 792	(948 623)	Work/Technical Services	8 049	476 658	(468 609)	29 871
0	689 914	(689 914)	Computers	0	779 468	(779 468)	275 532
0	0	0	Swimming Pool	0	0	0	0
98 564	**653 385**	**(554 821)**	**Subsidized services**	**12 168**	**561 755**	**(549 587)**	**57 967**
0	0	0	Environment and health	0	0	0	0
0	0	0	Fire brigade	0	0	0	0
98 564	653 385	(554 821)	Library	12 168	561 755	(549 587)	57 967
		0				0	
3 681 990	**4 224 892**	**(542 902)**	**Economic service**	**4 702 050**	**3 969 866**	**732 184**	**556 686**
1 016 068	2 947 921	(1 931 853)	Sanitation & Sewerage	1 610 001	2 721 825	(1 111 824)	257 771
2 665 922	1 276 971	1 388 951	Refuse Removal	3 092 048	1 248 041	1 844 007	298 914
79 532	**264 844**	**(185 312)**	**HOUSING SERVICE**	**216 650**	**281 570**	**(64 920)**	**32 755**
79 532	264 844	(185 312)	Housing	216 650	281 570	(64 920)	32 755
11 100 412	**13 907 159**	**(2 806 747)**	**TRADING SERVICE**	**13 300 383**	**16 932 093**	**(3 631 710)**	**(2 433 053)**
6 002 703	7 300 975	(1 298 272)	Electricity	7 210 939	6 918 256	292 682	824 912
5 097 708	6 606 184	(1 508 475)	Water	6 089 445	10 013 837	(3 924 393)	(3 257 966)
36 827 100	**34 834 055**	**1 993 045**	**TOTAL**	**42 635 473**	**50 895 911**	**(8 260 438)**	**(8 260 438)**
		(47 557)	Appropriations for this year (Refer to note 16)			0	
		1 945 487	**Net surplus / (deficit) for the year**			**(8 260 438)**	
		(20 523 145)	Accumulated surplus / (deficit) beginning of the year			(18 577 658)	
		0	**ACCUMULATED SURPLUS / (DEFICIT) END OF THE YEAR**				
		(18 577 658)				**(26 838 095)**	

DIKGATLONG MUNICIPALITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008
STATISTICAL INFORMATION

a) General Statistics

i) Population

	2008	2007
Census 2001	36 947	36 947
Urban Dynamics - 2001	63 258	63 258

ii) Valuation of property taxable

Date of valuation 01/08/2002

2008	2007
118 562 855	118 562 855

Valuation of property non taxable

Date of valuation 01/08/2002

2008	2007
23 067 300	23 067 300

iii) Valuation of residential property

2008	2007
68 293 494	68 293 494

Valuation of commercial property

2008	2007
50 269 361	50 269 361

iv) Number of residential properties

2008	2007
2 307	2 307

Number of commercial properties

2008	2007
105	105

v) Assessment rates : Cent in the Rand

2008	2007
0.025300	0.018500

vi) Number of employees

2008	2007
146	148

DIKGATLONG MUNICIPALITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008
b) Electricity Statistics

i) Number of users

2008	2007
9 078	8 729

ii) Units bought

2008	2007
14 066 397	13 525 382

iii) Units sold

2008		2007	
8 876 795	C	8 702 740	C
2 741 402	Pre	2 610 859	Pre

iv) Units lost in distribution

2008	2007
2 448 201	2 211 783

v) Units lost percentage of (ii)

2008	2007
17.40%	16.35%

vi) Cost per unit bought

2008	2007
0.2501	0.2405

vii) Loss in distribution

2008	2007
612 344	531 934

viii) Cost per unit sold

2008		2007	
0.5600	(R)	0.5100	(R)
0.7900	(B)	0.7200	(B)
0.7000	Pre	0.6400	Pre
0.5200	Bulk	0.4700	Bulk
0.4000	Bulk	0.3600	Bulk

DIKGATLONG MUNICIPALITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008
c) Water Statistics

i) Number of users

2008	2007
7 250	7 100

ii) Units bought

2008	2007
1 325 725	1 289 415

iii) Units sold

2008	2007
1 052 163	1 031 532

iv) Units lost in distribution

2008	2007
273 562	257 883

v) Units lost percentage of (ii)

2008	2007
21%	20%

vi) Cost per unit bought

	2008		2007	
Delportshoop	3.7960		3.6500	
Other Areas	2.2464		2.1600	

vii) Loss in distribution

2008	2007
1 038 442	941 273

viii) Cost per unit sold

2008		2007	
3.98	(R)	3.62	(R)
4.46	(R)	4.05	(R)
5.23	(R)	4.75	(R)
5.06	(B)	4.60	(B)
5.28	(B)	4.80	(B)
4.51	(I)	4.10	(I)
None	Pre	None	Pre